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SOUTH CAROLINA OFFICE OF REGULATORY STAFF

EXAMINATION REPORT FOR DOCKET NO. 2021-13-A

THE APPLICATION OF CHEM-NUCLEAR SYSTEMS, LLC, A SUBSIDIARY OF ENERGYSOLUTIONS COMPANY, FOR ADJUSTMENT IN THE LEVELS OF ALLOWABLE COSTS AND FOR IDENTIFICATION OF ALLOWABLE COSTS (FISCAL YEAR 2021-2022)

On September 24, 2021, Chem-Nuclear Systems, LLC (“Chem-Nuclear”) filed an application for Adjustment in the Levels of Allowable Costs for the Fiscal Year Ending June 30, 2021, and for Identification of Allowable Costs for the Fiscal Year Ending June 30, 2022, pursuant to S.C. Code Ann. § 48-46-40(B)(4), *et seq.* (2008 and Supp. 2018).

Effective July 1, 2008, pursuant to S.C. Code Ann. § 48-46-40(A)(6)(a), Chem-Nuclear can only accept waste generated within the three Atlantic Compact states: South Carolina, New Jersey and Connecticut. Additionally, since July 1, 2008, Chem-Nuclear commenced site closure (“institutional”) activities parallel to its site disposal operating (“operational”) activities. These institutional costs include site maintenance, monitoring, security, other administrative expenses and license costs, and are paid from the Barnwell Decommissioning Trust Fund and the Extended Care Maintenance Fund each year. Remaining reimbursable costs are included as operating costs in Chem-Nuclear’s application for reimbursement filed with the Public Service Commission of South Carolina (“Commission”).

The South Carolina Office of Regulatory Staff (“ORS”) completed an examination of the application and the underlying financial records of Chem-Nuclear for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. Based on this examination, ORS recommended adjustments to Chem-Nuclear’s fixed and variable costs for the fiscal year ending June 30, 2021. These adjustments were discussed with members of Chem-Nuclear’s management who agreed with the adjustments.

A comparison of the allowable reimbursable costs to the amounts authorized by the Commission in its Order No. 2021-412, dated June 9, 2021, was prepared by the ORS Audit Department. This comparison is attached herewith as Exhibit 1. As shown in Exhibit 1, ORS recommends that

Chem-Nuclear be allowed to retain, as recovery of their expenditures in operating the Barnwell Low Level Radioactive Waste Storage Facility for the fiscal year ending June 30, 2021, the following:

- \$ 3,083,236 in Fixed Costs
- \$ 501,084 in Variable Costs
- \$ 597,469 in Irregular Costs

In conjunction with procedures performed for the fiscal year ending June 30, 2021, ORS also examined transactions recorded by Chem-Nuclear for the period beginning July 1, 2021, extending through December 31, 2021. Based on this examination, ORS recommended adjustments to Chem-Nuclear's projected fixed and irregular costs for the fiscal year ending June 30, 2022, as listed in Exhibit 2. These adjustments were discussed with and agreed to by members of Chem-Nuclear's management.

Based on ORS's examination of Chem-Nuclear's projected variable rates, ORS agrees Chem-Nuclear's projected rates are reasonable.



Daniel F. Sullivan

Director – Audit Department

March 15, 2022

Exhibit 1
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Chem-Nuclear Systems, LLC
Docket No. 2021-13-A
Operating Experience and Reimbursable Costs
For the Twelve Months Ending June 30, 2021

	Per Amended Application	Commission Order No. 2021-412	Actual Costs Over (Under) Commission Allowed
<u>Fixed Costs</u>			
Fixed Costs to which 29% operating margin is added:			
Labor, Fringe and Non-Labor	\$ 2,000,883	\$ 2,007,435	\$ (6,552)
Depreciation	124,693	124,693	-
Insurance	245,702	289,729	(44,027)
Equipment Leases and Support	119,006	80,665	38,341
Corporate Allocations (G&A)	592,952	576,000	16,952
Total Margin Costs	3,083,236	3,078,522	4,714
Fixed Costs to which 29% operating margin is not added:			
Legal Support (License Appeal)	-	-	-
Total Non-margin Costs	-	-	-
Total Fixed Costs	\$ 3,083,236	\$ 3,078,522	\$ 4,714
 <u>Variable Costs</u>			
Labor and Non-Labor Costs	127,538	117,328	10,210
Vault Costs	\$ 373,546	\$ 427,077	\$ (53,531)
Total Variable Costs	\$ 501,084	\$ 544,405	\$ (43,321)

Chem-Nuclear Systems, LLC
Docket No. 2021-13-A
Operating Experience and Reimbursable Costs
For the Twelve Months Ending June 30, 2021

	Per Amended Application	Commission Order No. 2021-412	Actual Costs Over (Under) Commission Allowed
<u>Irregular Costs</u>			
Trenches Characterization and Construction			
Labor	\$ 27,276		
Non-Labor	50,470		
Total	\$ 77,746	\$ 57,624	\$ 20,122
Large Component Disposal			
Labor	\$ 61,025		
Non-Labor	435,090		
Total	\$ 496,115	\$ 500,000	\$ (3,885)
Site Maintenance			
Labor	\$ 1,187		
Non-Labor	-		
Total	\$ 1,187	\$ -	\$ 1,187
Trench Records Software			
Labor	\$ 568		
Non-Labor	-		
Total	\$ 568	\$ 308	\$ 260
Storm Damage Repairs and Clean-up			
Labor	\$ 51		
Non-Labor	-		
Total	\$ 51	\$ 51	\$ -
License Renewal and Appeal Costs			
Labor	\$ -		
Non-Labor	-		
Total	\$ -	\$ -	\$ -
Site Engineering and Drawing Updates			
Labor	\$ 141		
Non-Labor	-		
Total	\$ 141	\$ 141	\$ -
Equipment Repairs			
Labor	\$ 153		
Non-Labor	21,508		
Total	\$ 21,661	\$ 19,153	\$ 2,508
Total Irregular Costs	\$ 597,469	\$ 577,277	\$ 20,192

Chem-Nuclear Systems, LLC
Docket No. 2021-13-A
Proposed Fixed, Irregular and Variable Costs
For the Twelve Months Ending June 30, 2022

	<u>Per Amended Application</u>	<u>Actual Through 12/31/2021</u>	<u>Difference</u>
<u>Fixed Costs</u>			
Fixed Costs to which 29% operating margin is added:			
Labor, Fringe and Non-Labor	\$ 2,204,244	\$ 877,531	\$ 1,326,713
Depreciation	129,670	64,835	64,835
Insurance	251,876	14,241	237,635
Equipment Leases and Support	140,000	95,279	44,721
Corporate Allocations (G&A, IT)	592,952	209,246	383,706
Total Margin Costs	<u>\$ 3,318,742</u>	<u>\$ 1,261,132</u>	<u>\$ 2,057,610</u>
Fixed Costs to which 29% operating margin is not added:			
Legal Support (License Appeal)	\$ -	\$ -	\$ -
Total Non-margin Costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Fixed Costs	<u><u>\$ 3,318,742</u></u>	<u><u>\$ 1,261,132</u></u>	<u><u>\$ 2,057,610</u></u>
<u>Irregular Costs</u>			
Trench Characterization and Construction	\$ 287,127	\$ 143,837	\$ 143,290
Large Component Disposal	17,235	17,235	-
Irradited Hardware Trench	38,000	25,721	12,279
Site Maintenance	-	-	-
Trench Records Software	376	176	200
Storm Damage Repairs and Clean-up	-	-	-
License Renewal and Appeal Costs	-	-	-
Site Engineering and Drawing Updates	-	-	-
Equipment Repairs	-	-	-
Total Irregular Costs	<u><u>\$ 342,738</u></u>	<u><u>\$ 186,969</u></u>	<u><u>\$ 155,769</u></u>

Chem-Nuclear Systems, LLC
Docket No. 2021-13-A
Proposed Fixed, Irregular and Variable Costs
For the Twelve Months Ending June 30, 2022

	<u>Costs</u>	<u>Variable Factor</u>
<u>Variable Labor and Non-Labor Rates</u>		
Vault Purchase & Inspection	<u>\$ 203.58</u>	Per Vault
A B C Waste Disposal	<u>\$ 1,751.48</u>	Per Shipment
Slit Trench Operations	<u>\$ 44,844.35</u>	Per Offload
Customer Assistance	<u>\$ 162.03</u>	Per Shipment
Trench Records	<u>\$ 364.24</u>	Per Container
<u>Variable Material Cost Rates (Vaults)</u>		
Class A Waste	<u>\$ 38.76</u>	Per Cubic Foot
Class B Waste	<u>\$ 55.84</u>	Per Cubic Foot
Class C Waste	<u>\$ 55.84</u>	Per Cubic Foot
Slit Trench Waste	<u>\$ 188.57</u>	Per Cubic Foot